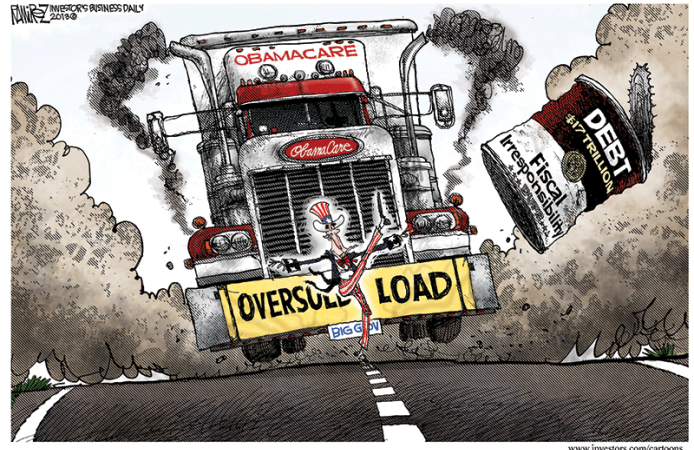


Weekly Report – October 23, 2013

Continuing Resolution and Debt Ceiling Extension

- H.R. 2775 reopened the government and suspended the debt ceiling, passing the House by a vote of 285-144. The bill did not make major changes to Obamacare.
- The bill funds the government through January 15, 2014, and suspends the debt limit through February 7, 2014.
- The continuing resolutions funds the government at an annualized \$986.3 billion and does not remove \$20 billion in scheduled sequester cuts set to occur in mid-January, 2014.



Budget Conference Committee

- The House and Senate created a conference committee to resolve the differences between their respective budgets as part of the recent agreement to reopen the government and to suspend the debt ceiling.
- House Republicans appointed Representatives Ryan (R-WI), Cole (R-OK), Price (R-GA), and Black (R-TN); House Democrats appointed Representatives Van Hollen (D-MD), Clyburn (D-SC), and Lowey (D-NY). The Senate appointed all Senate Budget Committee members.
- As part of the unanimous consent agreement that created the conference committee, motions to instruct conferees (MTI's) will not be privileged (typically MTI's would be privileged after 20 calendar days and 10 legislative days after creation of a conference committee, according to House Rule 22, Clause 7(c)).
- A broad menu of mandatory reforms are available to the conference committee, including reforms proposed in the Fiscal Year 2014 budgets proposed by the President, the House, and the RSC, such as Medicare means testing. Both the President's budget and the RSC budget proposed using Chained CPI to more accurately calculate Social Security cost of living adjustments (COLAs). Significant savings could also be found by scaling back Obamacare's \$600 billion expansion of the already-failing Medicaid program, as called for by the House and RSC budgets.

Congressional Budget Office (CBO) Spending Proposals

- CBO has previously scored dozens of policy proposals and their effect on the deficit.
- Choices for Deficit Reduction – November 2012 – <http://www.cbo.gov/publication/43692> - Comprehensive report of prior CBO analysis to reduce the deficit.
- Reducing the Deficit – March 2011 – <http://www.cbo.gov/publication/22043> - Evaluates spending and revenue options.
- Social Security Policy Options – July 2010 – <http://www.cbo.gov/publication/21547> - Scores options such as increases in the Social Security payroll tax, decreases in benefits, increases in the retirement age, and COLA adjustments.

Fred Barnes: The Upside of the GOP Shutdown Defeat – *Republicans can't go on offense, but the intact budget sequester will allow them to play effective defense.*

In the deal that ended the government shutdown, Republicans lost. They got almost nothing they'd sought. But what has been largely overlooked is that the deal didn't curtail, much less end, the automatic spending cuts known as the budget sequester. And undoing the sequester is what President Obama and Democrats wanted most of all.

The survival of the automatic spending cuts gives Republicans the upper hand in confronting the White House and congressional Democrats on budget issues and new proposals by Mr. Obama that would involve new outlays, such as his plan for universal pre-K education. For Republicans eager to corral federal spending—and that's most of them—the sequester is a gift that keeps on giving. Democrats, especially Senate Majority Leader [Harry Reid](#), are fit to be tied as they watch cherished social programs gradually shrink. The sequester, enacted during the struggle over the debt limit in 2011, was the brainchild of the White House. It requires \$1 trillion in cuts over 10 years in nonentitlement spending, \$84 billion in 2013 and \$109 billion in 2014.

To say the sequester has backfired for Democrats is putting it mildly. The specter of automatic cuts was supposed to scare members of a Senate-House panel assigned to forge a bipartisan budget accord. If they failed, the sequester would become law. Democrats believed this would never occur. But it did. Now across-the-board cuts go into effect annually without the need for a fresh vote in Congress or the president's signature. Nor are Republicans forced to offer Democrats the sweetener of tax increases. The sequester is cuts and only cuts. As a result, Senate Minority Leader [Mitch McConnell](#) noted proudly last week when announcing the end of the shutdown that "government spending has declined for two years in a row [for] the first time in 50 years."

Mr. McConnell negotiated both the 2011 agreement, known as the Budget Control Act, or BCA, and the shutdown deal. He's not about to let go of either, unless Mr. Obama and his Democratic allies offer a serious slate of money-saving entitlement reforms. A special Senate-House conference has been given until Dec. 13 to reach still another budget agreement that theoretically could restrain entitlements and soften the sequester. But Mr. McConnell doesn't expect this to happen. Neither does Mr. Reid.

Saving the sequester "has been a top priority for me and my Republican colleagues throughout the debate" about the shutdown, Mr. McConnell said. "Let's not understate the importance of the BCA or the importance of the fight to preserve it." Mr. McConnell also touts the deal he worked out with Vice President Joe Biden in late December 2012 to preserve the Bush income-tax cuts for 99% of taxpayers (those with taxable income of less than \$400,000 a year). At that time, the White House had considerable leverage, since the Bush cuts were on the verge of expiring for all taxpayers, with Republicans likely to get the blame. So they yielded to higher taxes on the well-to-do to avert a sweeping national tax hike.

Now the Bush tax rates are permanent and White House leverage is gone. This means that Republicans, if they're united, have the ability to block tax increases in the Senate and House. The same is true for proposed changes in the sequester. Despite leaving the sequester intact, the shutdown deal was in other ways a setback for Republicans. They lost face when forced to surrender on their demand to defund or delay [ObamaCare](#). The media blamed them for the government closure and gave Mr. Obama a pass. There were also some adverse political repercussions for Republicans from the shutdown. The Cook Political Report downgraded the re-election prospects of a dozen GOP House members, and the shutdown exposed an angry rift between younger, more impatient conservatives and older conservatives and moderates. But even if the GOP lost all 12 of those seats, Republicans would still retain the House.

Even the survival of the sequester wasn't an unalloyed win for Republicans. The automatic cuts take a huge bite out of Pentagon spending, which is bound to weaken military readiness. This has distressed many Republicans, and rightly so. Sens. John McCain (R., Ariz.) and Lindsey Graham (R., S.C.) have called for action to ease the impact on the armed forces.

Mr. Reid claims that the Pentagon spending reductions give Democrats the advantage over Republicans in the new budget talks. (The shutdown deal keeps the government open until Jan. 15.) Yet most Republicans have been willing to swallow defense cuts—so far. They regard the sequester as a rare victory in their fight to reduce the size of government.

But there are limits to its value as a political instrument. For one thing, Mr. Reid says the annual reductions will become less painful when cuts decline as spending caps rise. For now, though, this doesn't appear to have eased the obsession of Mr. Reid, Mr. Obama and Democrats with the impact of the sequester. Quite the contrary. Mr. Obama insists that it is damaging the economy.

The sequester won't put Republicans on offense in Washington. True, it has the potential as a card to play in budget talks. But Mr. Reid has ruled out trading cuts in Social Security, Medicare or Medicaid for scaling back or eliminating the sequester. For that, he told the Huffington Post recently, Republicans must agree to raise taxes. Republicans ought to be satisfied with playing effective defense. "If Republicans are realistic, they'll accept that their main job is to protect the sequester and the previously negotiated tax rates," politics professor Larry Sabato of the University of Virginia tells me. "The GOP isn't going to get much more while both the White House and the Senate remain Democratic. If the Republicans get very lucky and win six net Senate seats in 2014, then the balance of power will open up new vistas." Meanwhile, Republicans can sit on their hands and experience the joy of trimming the size of government and, thanks to the sequester, watching Democrats gripe about it.